



Arnold Schwarzenegger
Governor

March 16, 2010
22M:418:SOC:1046

Ms. Cindy Nelson, Deputy City Manager
City of Santa Ana
20 Civic Center Plaza (M-25)
Santa Ana, CA 92701

Dear Ms. Nelson:

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)
SUMMER YOUTH PROGRAM
FINAL MONITORING REPORT
PROGRAM YEAR 2009

This is to inform you of the results of our review for Program Year (PY) 2009 monitoring review of the Santa Ana Workforce Investment Board's (Santa Ana WIB) ARRA Summer Youth Program (SYP). This review was conducted by Ms. Sean O'Connell from August 17, 2009, through August 20, 2009. Our review consisted of interviews with your staff and a review of the following items: expenditures charged to the ARRA SYP, oversight of your subrecipients, and procurement transactions. In addition, we interviewed service provider staff, SYP participants, and worksite supervisors, and focused on the following areas of your ARRA SYP: eligibility determination, program operations, participant worksites, participant payroll processing, and oversight.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by the Santa Ana WIB with applicable federal and state laws, regulations, policies, and directives related to the ARRA grant.

This report includes the results of our review of sampled case files, the interviews conducted, the Santa Ana WIB's response to Sections I and II of the ARRA SYP On-site Monitoring Guide, and a review of applicable policies and procedures for PY 2009.

We received your response to our draft report on November 9, 2009, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed findings one and two cited in the draft report, no further action is required at this time. However, the issue related to finding two will remain open until we verify the implementation of your stated corrective action plan during a future on-site review. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 10012.

BACKGROUND

The Santa Ana WIB allocated all of its \$2,078,031 ARRA youth allotment to serve 450 summer youth program participants. As of the week of September 25, 2009, the Santa Ana WIB expended \$1,119,319 to serve 498 summer youth program participants.

ARRA SYP REVIEW RESULTS

While we conclude that, overall, the Santa Ana WIB is meeting applicable ARRA requirements, we noted instances of noncompliance in the areas of: eligibility and payroll. The findings that we identified in these areas, our recommendations and the Santa Ana WIB proposed resolutions are specified below.

FINDING 1

- Requirement:** 20 CFR, Part 664.200 states, in part, that an eligible youth is defined, as an individual who:
- (a) Is age 14 through 21;
 - (b) Is a low income individual; and
 - (c) Is within one or more of the following categories:
 - (1) Deficient in basic literacy skills;
 - (2) School dropout;
 - (3) Homeless, runaway, or foster child;
 - (4) Pregnant and parenting;
 - (5) Offender; or
 - (6) Is an individual (including a youth with a disability) who requires additional assistance to complete an educational program, or to secure and hold employment.

Training and Employment Guidance Letter 14-08 states, in part, that unless otherwise stated in the guidance, the laws and regulations for WIA youth funds apply to the Recovery Act funds.

Workforce Investment Act Directive (WIAD) 04-18 states, in part, Pregnant or Parenting – the term pregnant or parenting youth means an individual who is under 22 years of age and who is pregnant, or a youth (male or female) who is providing custodial care for one or more dependents under age 18.

- Observation:** During our case file review, we discovered that one 15-year old male participant was determined eligible due to family income and pregnancy or parenting category. Documentation

indicated the participant was a dependent member of his family. In addition, he wrote on his self-certification that he and his 17-year old girlfriend were expecting a child in July of 2009. However, there was no indication that the youth was providing custodial care for one or more dependents under age 18.

Subsequent to the review, the Santa Ana WIB provided a copy of the birth certificate dated May 29, 2009, for the participant's child. However, the Santa Ana WIB did not provide documentation that the participant met the criteria of parenting as defined in WIAD 04-18.

Recommendation: We recommended that the Santa Ana WIB provide documentation demonstrating how the participant met the definition of parenting when he was determined eligible for the ARRA program. If the above documentation cannot be provided, we recommended that the Santa Ana WIB determine if the individual meets any other barrier category in order to be eligible for enrollment in the ARRA program.

**Santa Ana WIB
Response:**

The Santa Ana WIB stated that Santa Ana Youth (SAY) staff reviewed the participant's file and confirmed he was determined eligible on May 29, 2009; all documentation was dated May 29, 2009. On May 29, 2009 the participant's girlfriend had a premature baby thus making him eligible as a parenting youth. At the time, the birth certificate was not yet available. The birth certificate has been obtained and the Santa Ana WIB included a copy. In addition, the participant submitted a new self-certification that he and his girlfriend had a premature baby on May 29, 2009 and that he is responsible for their baby's basic needs (a copy of the participant's statement along with the birth certificate for the participant's child were provided). Staff also tested the youth to determine if he met the basic skills deficient barrier, and he did. The Santa Ana WIB included a copy of this updated application form, youth test scores, along with a copy of the test for review.

State Conclusion: The Santa Ana WIB's response failed to substantiate that the 15-year old youth was responsible for the basic needs of a common child with his girlfriend. Based on the Santa Ana WIB's determination to recertify the youth using basic skills deficiency as the barrier, we consider this issue resolved.

FINDING 2**Requirement:**

29 CFR 97.20(a) states, in part, that fiscal control and accounting procedures of subgrantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. Section (b)(2) states, in part, that subgrantees must maintain records which adequately identify the source and application of funds for financially-assisted activities. Section (b)(3) states, in part, that effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Section (b)(6) requires that accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records.

Office of Management and Budget Circular A-87, Attachment B, (8)(h)(5) states, in part, that personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each employee and they must account for the total activity for which each employee is compensated.

Observation:

During payroll review, we discovered that two participants were paid for hours not worked. Specifically, the case notes for one participant indicated that her supervisor had notified the Santa Ana WIB that the participant did not "show up" on August 3, 2009. However, the participant's time sheet and payroll register included four hours paid for August 3, 2009.

For the other participant, the August 1 - August 31, 2009 payroll register showed that he had been paid for 49.50 hours. The supporting documentation (his time card and daily sign-in records) indicated he had worked 48 hours.

We informed the Santa Ana WIB of the discrepancy and they indicated they would deduct the overpayments from the participants' next pay check.

Recommendation:

We recommended that the Santa Ana WIB review all the summer youth participant time cards for any discrepancies with daily sign-up records and other related documentation. We further recommended that the Santa Ana WIB provide the Compliance Review Office with the results of its review and a

corrective action plan to address any overpayments or underpayments uncovered during this review.

**Santa Ana WIB
Response:**

The Santa Ana WIB stated that during the payroll review, SAY staff found that the participant's supervisor accidentally marked her absent on July 30, 2009 and marked her present on August 3, 2009. Corrections were noted on the time cards and in the case notes. Because the errors cancelled out each other out, no correction was made in the payroll system. In addition the participant was paid for 4 hours for "Camp Success" on July 2, 2009. During a review on August 18, 2009, it was determined that she was not in attendance at Camp Success on that date. Staff deducted those hours from the participant's last paycheck as shown in documentation attached to the response.

During the monitoring review, it was determined that a participant had been paid 49.50 hours for the July 20 – August 6, 2009 pay period, while sign in sheets indicated that he had only worked 48 hours. This resulted in an over payment of 1.50 hours. The Santa Ana WIB reviewed his time card, daily sign-in records, and confirmed with his supervisor that he had in fact worked only 48 hours. The Santa Ana WIB called the youth to inform him of the correction and deducted 1.50 hours from the participants' August 14, 2009, paycheck as indicated in his attached payroll register. In addition, the Santa Ana WIB submitted supporting documentation indicating the corrections to his time card.

The SAY staff also reviewed all time cards, time sheets and payroll records to insure that participants had been correctly paid for hours worked.

The Santa Ana WIB provided the following corrective action plan.

1. The SAY staff has reviewed all summer youth participant time cards and daily sign-in records for any additional discrepancies that may have been overlooked. Staff has implemented tracking logs for any participants with corrections needed to their time cards and/or payroll register. The logs and supporting documentation indicating corrections for any overpayments or underpayments uncovered during this review have been provided.

2. Staff has been trained on how to better document corrections made to time sheets. A case note with an explanation of the corrections is included in each participant's file. Copies of the corrections made to times sheets are forwarded to the payroll staff for inputting into the payroll system. Staff will notify the participants and supervisors of any corrections made.
3. SAY staff will continue to monitor and review all time cards and payroll entries to avoid any future discrepancies. The SAY payroll staff will be trained in the proper method of inputting payroll corrections into the payroll system.

State Conclusion: The Santa Ana WIB's stated corrective action should be sufficient to resolve this issue and no further corrective action is required. However, we cannot close this issue until we verify, during a future on-site visit, the Santa Ana WIB's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10012.

Due to the short period of time the 2009 SYP was in operation the above corrective actions were requested in the exit conference in order that corrective action could be taken immediately. Thank you for the timely action taken on the specific issues identified above. We are providing you up to 10 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than March 30, 2010. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all the areas included in our review. It is the Santa Ana WIB's responsibility to ensure that its systems, programs, and related activities comply with the ARRA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain the Santa Ana WIB's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes at (916) 654-7005.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessie Mar", with a large, stylized loop at the beginning.

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Jose Luis Marquez, MIC 50
Daniel Patterson, MIC 45
Georganne Pintar, MIC 50
Gilbert von Studnitz, MIC 50